**10. Managing Change and Innovation**

Definition

Innovation is the act or process of introducing something new such as an idea, method, product, service and so on. It implies coming out with something that is new or never being there before. However it may include introducing and using previously known ideas and solutions in a new context or situation. As the environmental changes become more complex, managing change and innovation becomes more difficult. With the advances in information technology, information may become easily available. However, the ability to project future outcomes has moved from an environment of manageable risk to rising degree of uncertainty. This is because the speed at which information is transformed into actionable knowledge is not keeping pace with changes in the business environment.

Manageable risk implies that there is still the possibility to quantify the outcomes. But, when it is not possible to really know of the true situation in the external environment, then uncertainty is faced by the management. At this state, the management has to take risk in making decisions. With increasing uncertainty, the risk in making decisions becomes greater. This will in turn affect the creation of new knowledge to bring about the change and innovations.

For any innovation to occur there must exist some *change triggers* (winds of change) that will motivate people to look for new and useful ideas for creative purposes to bring about innovations. Before innovation can actually take place, some form of learning must occur among the people. People and organisations tend to learn when they react to events. E.g. giving incentives tend to motivate people to exploit existing knowledge to generate new ideas. Some of these ideas may turn out to be creative ideas which serve useful purpose to bring about innovations. So, creative ideas are needed for innovations to take place.

Where are the sources of change triggers or forces of change?

They can come from both the internal and external sources such as:

External sources:

* Customer needs, desires or expectations
* Competitive offers
* New technology
* Changing demographics
* Economic cycle
* Geo-political events
* Environmental change
* Societal change
* Industrial structural changes
* Regulation change

Internal sources:

* Decisions
* Problems in operations
* Company growth or decline
* Leadership and personnel change
* Changes to inter-organisation alliances.

Therefore it can be seen that innovations are responses to these change triggers. Each change trigger may require a specific response from the organisation.

Managers in making their decisions to respond to the change triggers or forces of change must get the support of the top management and ensure that there is little or no resistance to challenge the decisions within the organisation.

Managers must also ensure that people at different levels get the information, communication and motivation to bring about coordination and collaboration in order to attain effective responses to the forces of change to attain organisational competitiveness. Concurrently they must be able to address questions and issues relating to business sustainability and growth such as:

* innovation cost
* return on innovation
* predictable and acceptable level of cost failure
* the changes need to be made to the current business model
* the possible consequences of a failure to change.

However in situation of high uncertainty the answers to these questions or issues become more difficult.

The possible way to manage change is to focus on learning to verify the possible potentials in the recognisable situations as suggested by the Stage Gate Innovation Process. Most of the businesses (> 75%) used this gated process to bring new product ideas and strategic innovation initiatives into the business world.

Innovation Gate Decisions

Identify Concept Demo Customer Growth

ideas validation plan validation plan

+ Evaluate ideas + Determine + Proof of + Establish + Plan to

+ Resource ideas investment concept customer value commercialise

+ Align to + Validate + Validate + Hands-on use + Develop

business model viability hypotheses of product product that

+ Balance + Adapt + Learn from can scale

portfolio quickly metrics

Gate Gate Gate Gate Gate

1 2 3 4 5

Intelligence

Customer Develop product

Market

Research

Stage-Gate Innovation Processes

* are primarily focused on high-risk, high uncertainty, complex investment decisions;
* are strategic, knowledge-intensive based tailored in managing risk and complexity;
* are capable of providing information such as evidence and business data obtained from diverse business teams to support the making of good decisions;
* are inherently cross-functional and requiring high degree of coordination and communication across each function of the business (sales & marketing , R & D, operations, finance, etc.) to ensure alignment and the best decisions.
* processes and methodologies can be configured to align with the specific risk, complexity and scope of each innovation and new product development initiative or project.
* these processes enable you to better manage the risk inherent in any strategic growth investment.
* By breaking investment decisions into a series of stages and gates, businesses are able to validate those investments, do analysis, make fact-based decisions and when appropriate identify and ‘kill’ low-value projects early in their life cycle before wasting limited and valuable resources.
* You can align gated processes with risk and complexity for each initiative or project.

Each successive gate in the innovation funnel reduces uncertainty that would prevent additional investment. The decisions made provide evidence of meeting established factors needed for success. Factors that facilitate change are increased while factors that work to resist change are reduced. The required communication and education are built into the process.

Innovation Gate Decisions

1. Idea identification – ideas are generated and identified and evaluated for further resourcing and the possibility of accommodating into the present business model and not to be overwhelmed by too many ideas to be evaluated.
2. Concept evaluation – the idea must be sufficient developed to determine the investment required and to validate the viability of the idea/concept in relations to value proposition, competitive advantage and likely returns of the investments.
3. Demonstration of a development plan – as a proof for example of a product to the customers and to minimise the cost of investment.
4. Customer value validation – the value to the customers is established through the demonstration of the product and in the process will contribute to the learning process and reducing uncertainty.
5. Growth plan – commitment to commercialise - for an existing business this the plan can be put into production of the product/service while for a new business it will need investment to develop a product and for its growth.

Advantages and Disadvantages of Gated Decision

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| Advantages | Disadvantages |
| * Each successive gate in the innovation funnel reduces uncertainty that would prevent additional investment. * The decisions made provide evidence of meeting established factors needed for success. * Factors that facilitate change are increased while factors that work to resist change are reduced. * Needed communication and education are built into the process. | * Potential for structural organisation to interfere with creativity and innovation. * Overly structured processes may cause creativity to be reduced in importance and to hinder the largely iterative (repeated) process of innovation. |

Are gated processes still relevant?

They are still relevant on the following reasons:

1. Can provide an effective framework for managing change and innovation.
2. But gate review boards must represent true decision making bodies.
3. For innovation, they must encourage accelerated, validated learning that reduces uncertainty with minimum investment.
4. Decisions completed at each gate should inherently support the change process needed for the organisation to encourage the success of an innovation.

Managing change in product innovation process

The effective way to manage change and innovation is to be constantly pursuing innovation in order to ensure long-term success. Learning and adapting to changing priorities has been a key factor in choosing this approach. This is necessary because the uncertain environments change rapidly and if the management is not capable to make the necessary responses as and when necessary, then it may become too much to meet the demands of the environments.